

RETIREE HEALTH PLANS (PRE-65)

Feature	Management Plan *	Non-Management Plan
<ul style="list-style-type: none"> • Type Of Plan (Cont.) <ul style="list-style-type: none"> – Point-of-Service Plan (Managed Care) 	<ul style="list-style-type: none"> – In-Network: No deductible – Out-of-Network: \$250 deductible per person, 70%, \$1,500 stop-loss per person 	<ul style="list-style-type: none"> – In-Network: No deductible – Out-of-Network: \$250 deductible per person, 70%, \$1,500 stop-loss per person
<ul style="list-style-type: none"> – Base Plan 		<ul style="list-style-type: none"> – 120 days hospital
<ul style="list-style-type: none"> • Other Coverage 	<ul style="list-style-type: none"> • Dental 	<ul style="list-style-type: none"> •Dental

* Applies to Management employees with Pension Effective Date on or after 7/2/85; all other Management retirees are covered under the provisions shown for the Non-Management Plan.

RETIREE HEALTH PLANS (PRE-65)

<u>Feature</u>	<u>Management Plan *</u>	<u>Non-Management Plan</u>
<ul style="list-style-type: none"> • Monthly retiree contributions 	<ul style="list-style-type: none"> • Same as active 	<ul style="list-style-type: none"> • Same as active: <ul style="list-style-type: none"> – Contributions may be required for some HMO participants
<ul style="list-style-type: none"> • Monthly employer contribution 	<ul style="list-style-type: none"> • Capped at annual growth in medical/dental CPI 	<ul style="list-style-type: none"> • Actual experience: with the following caps beginning on 1/1/99 for those retiring on or after 1/1/92: <ul style="list-style-type: none"> Single \$ 6,350 Family \$ 11,430

* Applies to Management employees with Pension Effective Date on or after 7/2/85; all other Management retirees are covered under the provisions shown for the Non-Management Plan.

RETIREE HEALTH PLANS (POST-65)

<u>Feature</u>	<u>Management Plan *</u>	<u>Non-Management Plan</u>
• Type Of Plan	<ul style="list-style-type: none"> • Comprehensive with Medicare carve-out • \$350/\$700 deductible, 80% coinsurance, \$1,500/\$3,000 stop-loss 	Pre-65 plan with Medicare carve-out
• Other Coverage	<ul style="list-style-type: none"> • Dental • Medicare Part B reimbursement <p>Post 1/1/90 hires – No coverage</p>	<ul style="list-style-type: none"> • Dental • Medicare Part B reimbursement <p>Post 1/1/90 hires –No coverage</p>

* Applies to Management employees with Pension Effective Date on or after 7/2/85; all other Management retirees are covered under the provisions shown for the Non-Management Plan.

RETIREE HEALTH PLANS (POST-65)

Feature	Management Plan *	Non-Management Plan
<ul style="list-style-type: none"> Other Coverage (continued) 	<ul style="list-style-type: none"> Medicare Part B reimbursement (Cont.) <ul style="list-style-type: none"> Post 7/1/85 retiree <ul style="list-style-type: none"> – \$15.50 (retiree only) Pre 7/1/85 retirees <ul style="list-style-type: none"> – \$27.90 (retiree and spouse) 	<ul style="list-style-type: none"> Medicare Part B reimbursement (Cont.) <ul style="list-style-type: none"> Post 1/1/90 retirees <ul style="list-style-type: none"> – \$27.90 (retiree only) Pre 1/2/90 non-management retirees <ul style="list-style-type: none"> – \$46.10 (retiree and spouse) (indexed to prevailing Medicare premium)

* Applies to Management employees with Pension Effective Date on or after 7/2/85; all other Management retirees are covered under the provisions shown for the Non-Management Plan.

RETIREE HEALTH PLANS (POST-65)

<u>Feature</u>	<u>Management Plan *</u>	<u>Non-Management Plan</u>
<ul style="list-style-type: none">• Monthly retiree contributions• Monthly employer contributions	<ul style="list-style-type: none">• None. Contributions may be required for some HMO participants• Capped at medical/dental CPI. Employer costs controlled through changes in deductible and stop-loss.	<ul style="list-style-type: none">• None. Contributions may be required for some HMO participants• Based on actual experience: with the following caps beginning on 1/1/99 for those retiring on or after 1/1/92: Single \$ 2,180 Family \$ 4,360

* Applies to Management employees with Pension Effective Date on or after 7/2/85; all other Management retirees are covered under the provisions shown for the Non-Management Plan.

RETIREE LIFE INSURANCE PLANS

<u>Feature</u>	<u>Management Plan</u>	<u>Non-Management Plan</u>
<ul style="list-style-type: none">• Employer-paid amount• Reductions in employer-paid amount	<ul style="list-style-type: none">• 1 x pay• Reductions beginning at age 66 in 5 equal annual steps to 0.5 x pay	<ul style="list-style-type: none">• 1 x pay• Reductions beginning at age 66 in 5 equal annual steps to 0.5 x pay

RETIREE DISCOUNTS-CONCESSION SERVICES

- 100 % for basic local service
- Service connection charges
- Custom calling (call waiting)
- Touchtone
- \$90/quarter for intralata calls

Appendix C.1

Actuarial Report

NYNEX Corporation

***FAS 106 Valuation
Management Plans***

1993



Hewitt Associates

PREPARATION OF THIS ACTUARIAL VALUATION

AS OF JANUARY 1, 1993

NYNEX POSTRETIREMENT BENEFIT PLANS
FOR MANAGEMENT EMPLOYEES

This material has been prepared to present to management the 1993 accounting requirements for postretirement benefits other than pensions as determined under the standards set forth in the Statement of Financial Accounting Standards No. 106 ("FAS 106"), Employers' Accounting for Postretirement Benefits Other Than Pensions.

In conducting the valuation, we have used personnel, asset, claims and plan design information supplied by NYNEX Corporation, and the actuarial assumptions and methods described in the Actuarial Assumptions Section of this report.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices and in accordance with our understanding of FAS 106.

HEWITT ASSOCIATES

Anthony P. Yezzi

Anthony P. Yezzi
Fellow of the Society of Actuaries

July 21, 1993



TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	1
ACCOUNTING REQUIREMENTS	2
PERSONNEL INFORMATION	7
PLAN PROVISIONS	10
HEALTH CARE CLAIMS DEVELOPMENT	17
ACTUARIAL ASSUMPTIONS	21
OVERVIEW OF FAS 106	30



SUMMARY

This section contains a summary of the statistical results of the FBI 1991 survey of the public's knowledge of or January 1, 1991.

SUMMARY

January 1, 1993

Accumulated Postretirement Benefit Obligation (APBO)

Active	\$ 387,948,000
Retired	<u>1,031,982,000</u>
Total	\$1,419,930,000

<u>Assets</u>	\$ 438,466,000
---------------	----------------

Net Periodic Postretirement Benefit Cost

Service Cost	\$ 16,573,000
Interest Cost	116,354,000
Expected Return on Plan Assets	(34,308,000)
Amortization of Transition Obligation	<u>59,851,000</u>
Total Cost	\$ 158,470,000
Estimated 1993 Annual Base Pay	\$1,327,905,000
Benefit Cost as a Percent of Annual Base Pay	11.9%
Expected Benefit Payments	\$ 102,118,000

Personnel Information

Active	22,545
Retired	<u>23,587</u>
Total	46,132

ACCOUNTING REQUIREMENTS



ACCOUNTING REQUIREMENTS

Reconciliation of Funded Status, January 1, 1993 (\$000's omitted)

The following is the reconciliation of funded status with the amounts reported in the company's financial statement. The postretirement benefit obligations (i.e., plan liabilities) are shown as negative numbers.

	<u>Health Care</u>	<u>Life Insurance</u>	<u>Total</u>
Accumulated Postretirement Benefit Obligation (APBO)			
- Active			
-- Fully Eligible	\$ (99,043)	\$ (19,150)	\$ (118,193)
-- Not Fully Eligible	(228,753)	(41,002)	(269,755)
-- Total Active	\$ (327,796)	\$ (60,152)	\$ (387,948)
- Retired	(850,367)	(181,615)	(1,031,982)
- Total	\$ (1,178,163)	\$ (241,767)	\$ (1,419,930)
Plan Assets at Fair Value	<u>220,678</u>	<u>217,788</u>	<u>438,466</u>
Funded Status	\$ (957,485)	\$ (23,979)	\$ (981,464)
Unrecognized Transition (Asset)/Obligation	1,173,034	23,979	1,197,013
Unrecognized Prior Service Cost	0	0	0
Unrecognized Net (Gain)/Loss	<u>0</u>	<u>0</u>	<u>0</u>
Prepaid/(Accrued) Post-retirement Benefit Cost	\$ 215,549	\$ 0	\$ 215,549
Expected Benefit Payments	\$ 84,345	\$ 17,773	\$ 102,118

ACCOUNTING REQUIREMENTS (Continued)

Net Periodic Postretirement Benefit Cost (\$000's omitted)

	<u>Health Care</u>	<u>Life Insurance</u>	<u>Total</u>
Service Cost	\$ 13,429	\$ 3,144	\$ 16,573
Interest Cost	96,559	19,795	116,354
Expected Return on Plan Assets	(16,551)	(17,757)	(34,308)
Amortization of:			
- Transition (Asset)/Obligation	58,652	1,199	59,851
- Prior Service Cost	0	0	0
- Actuarial (Gain)/Loss	0	0	0
Net Postretirement Benefit Cost	\$ 152,089	\$ 6,381	\$ 158,470



ACCOUNTING REQUIREMENTS (Continued)

Schedule of Amortization Payments (\$000's omitted)

	<u>Date Established</u>	<u>Amount 01/01/93</u>	<u>Amortization Period</u>	<u>Amortization Payment</u>
• Health Care				
Transition Obligation	01/01/93	\$1,173,034	20	\$58,652
Prior Service Cost	N/A	N/A	N/A	N/A
(Gain)/Loss Subject to Amortization	N/A	N/A	N/A	N/A
• Life Insurance				
Transition Obligation	01/01/93	\$ 23,979	20	\$ 1,199
Prior Service Cost	N/A	N/A	N/A	N/A
(Gain)/Loss Subject to Amortization	N/A	N/A	N/A	N/A

PERSONNEL INFORMATION



PERSONNEL INFORMATION

The actuarial valuation is based on the 1992 census data provided by NYNEX for the actuarial valuation of the NYNEX Pension Plans. In addition, information was provided on terminations in 1992 to update the active and retiree data. The following identifies the groups covered by the FAS 106 valuation:

- All active employees eligible for participation in the NYNEX Management Pension Plan except for temporary employees who have worked less than 5 years.
- All service and disability pensioners from the NYNEX Management Pension Plan including those retirees who elected a lump sum under the 1992 Force Management Plan or were eligible for disability pensions pre-1976.

PERSONNEL INFORMATION (Continued)

**I. Personnel Characteristics of Active Employees as of
January 1, 1993**

	<u>Number</u>	<u>Average Age</u>	<u>Average Years of Service</u>	<u>Average Entry Age</u>
Male	12,917	43.3	18.6	24.7
Female	9,628	41.6	17.5	24.1
Total	<u>22,545</u>	42.6	18.1	24.5

Estimated average annual base pay per active employee is
\$58,900.

II. Service and Disability Pensioners as of January 1, 1992

	<u>Number</u>	<u>Average Age</u>	<u>Average Years in Retirement</u>	<u>Average Age at Retirement</u>
Male	14,017	66.5	7.7	58.8
Female	9,570	67.6	10.1	57.5
Total	<u>23,587</u>	67.0	8.6	58.4

PLAN PROVISIONS



PLAN PROVISIONS

- **Effective Date** January 1, 1993.
- **Eligibility for Participation** Eligible to participate in NYNEX Management Pension Plan.
- **Eligibility for a Benefit** Retirement with either a service or disability pension as follows:

Service Pension

<u>Age</u>	<u>Years of Credited Service</u>
Any Age	30
50	25
55	20
60	15
65	10

Disability Pension

15 years of credited service with total and permanent disability.

- **Eligibility for Current Plans**
 - **Medical/Dental Expense Plan** Retired pre-July 2, 1985.
 - **Flexible Benefit Plans (Medical/Dental)** Retired post-July 1, 1985.

PLAN PROVISIONS (Continued)

Flex Medical Plan

• Coverage

- Pre-Age 65 Flex Plan Options B, A, N, or HMO.
- Post-Age 65 Option B with out-of-pocket maximum of \$1,500 per person/\$3,000 family or HMO.

• Coordination With Medicare

Post-age 65 Medicare carve-out.

• Company Contribution

- Pre-Age 65 Flex credits adjusted annually which vary by retiree health care region.
- Post-Age 65 Company paid with deductibles, out-of-pocket maximum, and coinsurance subject to change in order to control company cost.

• Hospital Room and Board and Miscellaneous

Comprehensive

• Surgical

Comprehensive

• In-House Doctor Visits

Comprehensive

• Out-Patient Diagnostic

Comprehensive

• Prescription Drugs

Comprehensive (100% over \$5 if mail order)

• Deductible

Option B:
\$350 per person/\$700 family
Option A:
\$600 per person/\$1,200 family
Option N:
\$4,000 per person/\$8,000 family



PLAN PROVISIONS (Continued)

Flex Medical Plan (Continued)

- **Coinsurance**
Option B: 80%
Option A: 80%
Option N: 70%
- **Out-of-Pocket Maximum
(including deductible)**
Option B:
\$1,400 per person/\$2,800 family
Option A:
\$1,800 per person/\$3,000 family
Option N:
\$7,000 per person/\$10,000 family
- **Lifetime Maximum**
\$350,000 per person for charges
after eligibility for Medicare.
First \$3,500 of benefits each year
not applied to maximum.
- **Continuation of
Dependent Coverage
at Death of Retiree**
Company paid coverage is extended
for six months after the death of
the retiree.



PLAN PROVISIONS (Continued)

Medical Expense Plan

- Coordination With Medicare Post-age 65 Medicare carve-out.
- Company Contribution Company paid. However, a contribution may be required from HMO participants.
- Hospital Room and Board and Miscellaneous 100% for 120 days (Major Medical on excess).
- Surgical 95% (Major Medical on excess).
- In-Hospital Doctor Visits 90% (Major Medical on excess).
- Out-Patient Diagnostic 100% of R&C
- Prescription Drugs Major Medical (100% over \$5 if mail order).
- Major Medical
 - Deductible 1% of pension benefit (minimum \$25; maximum \$150 per person, family maximum three times individual deductible).
 - Coinsurance 80% of R&C.
 - Out-of-Pocket Maximum (excluding deductible) \$1,000 per person.
 - Lifetime Maximum on Major Medical \$250,000 per person; first \$3,500 of benefits each year not applied to maximum.
- Continuation of Dependent Coverage at Death of Retiree Company paid coverage is extended for six months after death of retiree.